
The Compliance Connection

State Corporation Commission - Bureau of Financial Institutions
Regulatory News for Virginia Mortgage and Consumer Finance Licensees

JULY 1999



INSIDE THIS ISSUE:

Year 2000 Update.....	1 & 3
Law Changes.....	1
Broker Compensation Memo.....	2
Surety Bond Claims.....	3
Licensee Update.....	4 - 5
August Mortgage Orientation.....	5

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Suggestions and comments
concerning the newsletter or its
contents should be addressed to
the Bureau at the above address
or via e-mail at:
nwalker@scc.state.va.us

Year 2000 Update:

On July 15, 1999 the Consumer Finance and Mortgage Section initiated its second major mailing of Year 2000 (Y2K) questionnaires, this time to those licensees who had previously indicated they were not yet Y2K compliant. **These follow-up questionnaires, now designated as Y2K Readiness Disclosures, are to be completed and returned to the Bureau by August 15, 1999.**

As reported in a previous edition of The Compliance Connection, Y2K questionnaires were mailed on June 8, 1998 to over 900 licensees to assess the status of their Y2K preparedness. After an extensive amount of follow-up work by employees of the Bureau, all but 17 licensees responded to the questionnaire. Of those responding, 43% indicated they were Y2K compliant. The remaining 57% were all at some stage in their Y2K efforts with the overwhelming majority indicating they would be compliant no later than June 30, 1999. As this date was consistent with guidelines issued by federal and state regulators for identifying, repairing, and testing all mission critical systems, the decision was made to mail the above referenced questionnaires after this date.

(continued on Page 3...)

Law Changes – Effective 7/1/99

On May 26, 1999 all licensees were mailed a copy of the 1999 “Stop-Gap” of the Laws of Virginia Relating to Banking and Finance, which contain the laws enacted by the 1999 Session of the General Assembly. The new legislation became effective July 1, 1999. The “stop-gap” can be used by licensees until the 1999 Supplement is received from the publisher. The supplement should be sent to licensees in September 1999 for insertion in your 1998 law book. The changes, which may affect non-depository licensees, can be found in the following Chapters:

Chapter 1.1	Wet Settlement Act
Chapter 1.4	Real Estate Settlement Agent Registration Act
Chapter 7.3	Money and Interest
Chapter 37.1	Credit Life Insurance and Credit Accident and Sickness Insurance

Changes have also been made to other chapters, which may be of interest to non-depository licensees. Please review the stop-gap thoroughly to ensure compliance.

Broker Compensation Memorandum

The following memorandum was initially sent to all mortgage licensees on February 5, 1993 and reprinted in the first issue of The Compliance Connection. Since many of the current licensees were licensed after that date and violations of this nature continue to be cited, we felt it necessary to print this memorandum again. The memo provides the Bureau's position concerning the collection of broker fees without a signed written agreement, which is prohibited by Virginia Code §6.1-422. Please review this memo with all staff and make sure effective policies are in place to ensure that this violation is not occurring in your office. Licensees who violate this section of the code will be required to make reimbursements to the borrower(s).

February 5, 1993

Memorandum

TO: All Mortgage Licensees

RE: Compensation Retained by Brokers (IE: Broker Fees and Processing Fees)

Numerous violations of Section 6.1-422B(4) of the Virginia Code are being reported by Examiners. This law prohibits mortgage brokers from receiving compensation from borrowers other than that disclosed in a written agreement signed by the borrowers. Compensation (fees charged to the borrower and retained by the broker, i.e.: processing fees and broker fees) shown on the settlement statement/HUD-1 as being paid to the mortgage broker by the borrower, excluding documented third party fees, must be disclosed and agreed to by the borrowers(s). The disclosure of terms, good faith estimate of settlement costs and HUD-1 (required by Section 6.1-2.9:5 of the Virginia Code and RESPA, respectively) are not considered contracts or agreements for compensation per Section 6.1-422B(4).

For future reference, please note that violations of this nature will be cited as overcharges and reimbursements will be required. A broker agreement or contract for compensation executed after the violation has been cited will not be acceptable as a corrective measure. Furthermore, in regard to processing fees, please be aware that Section 6.1-330.72 does not allow for such a charge to be made in connection with a subordinate mortgage loan.

Please review the above referenced laws, and take the necessary steps to ensure compliance in future transactions.



SCC's Website “www.state.va.us/scc”

...check it out!

Surety Bond Claims:

Virginia Code §6.1-413 requires licensees to continuously maintain a surety bond with the Commissioner of the Bureau of Financial Institutions. The bond is conditioned upon the licensee performing all written agreements with borrowers or perspective borrowers, correctly and accurately accounting for all funds received by the licensed business and conducting the licensed business in conformity with the Mortgage Lender and Broker Act and all applicable law. The surety bond requirements are: \$5,000 for mortgage brokers; \$10,000 for mortgage lenders and lender/brokers. The Bureau can file claims against a licensee's bond if adequate measures are not taken to correct violations (for instance, when overcharges are not refunded to borrowers). The Bureau sends documentation of the violations to the surety company, who will verify the violations before paying the claim.

The surrender of a license **will not** prevent the Bureau from filing a claim. The bond may cover any violation which occurred during the time that the bond was in force. In cases where the total amount of the claims exceeds the amount of the bond, borrowers will be paid a pro-rated amount of the overcharge.

The following is a list of bond claims filed by the Bureau (and paid to borrowers) in the last year:

MB – 256 American Mortgage and Financial Services d/b/a American Liberty Mortgage

\$946.25 bond claim paid 5/27/99, license surrendered 1/12/99

MLB – 204 United Southern Mortgage

\$10,000 bond claim paid 4/26/99, license surrendered 3/17/99

MLB – 383 Advantage Mortgage Co., LLC t/a Bay Mortgage

\$10,000 bond claim paid 11/10/98; license revoked 3/9/99

MB – 437 Dominion Shares Mortgage Corporation t/a Dominion Bancshares Mortgage

\$466 bond claim paid 10/1/98, license surrendered 5/4/98



Year 2000 (continued from page 1)

Please note that in order to get the questionnaire in the hands of those individuals most capable of providing the requested information, the follow-up questionnaires were mailed to the individual who signed-off on the initial questionnaire. Therefore, be aware that each licensee not previously indicating they were Y2K compliant should have received the follow-up questionnaire by this time. It is due back to the Bureau no later than August 15, 1999. If you have not received a questionnaire please contact Dwight Stephens at (804) 371-9702 and one will be faxed to you. Any licensee required to respond that has not responded by August 15, 1999 will be placed on a regulatory action list. Regulatory actions may include one or more of the following: contact with the licensee by a representative of the Bureau, denial of applications pending with or subsequently submitted to the Bureau, and if necessary, recommendation of a fine and/or suspension or revocation of license.

Assessing Year 2000 compliance has been and still is a high priority for the Bureau. It is hoped that all licensees will become Y2K compliant and will do so without the need for regulatory action. Your cooperation in responding to the follow-up questionnaire is greatly appreciated, and we hope we will all get through this period with a minimum of disruption to our normal activities.

License Update:

The following is a list of companies who have surrendered their license, had their license revoked, application denied or been fined by the Commission **since March 31, 1999**. We hope this will be helpful in keeping track of companies with whom you do business. **These lists are accurate as of July 1, 1999**. Call the Bureau if you have a question concerning a recent denial, surrender or regulatory action taken by the Commission. **NOTE: Doing business with an unlicensed mortgage company is a violation of Administrative Rulings 1603 and 1605, which can result in regulatory action.**

MORTGAGE LICENSES SURRENDERED SINCE MARCH 31, 1999

MB – 636 VEATCH MORTGAGE & INVESTMENT CORPORATION T/A STALEY MORTGAGE AND INVESTMENT CORPORATION – 4/1/99

ML – 197 FIDELITY MORTGAGE DECISIONS CORPORATION – 4/2/99

MLB – 41 CMK CORPORATION T/A MORTGAGE CAPITAL INVESTORS – 4/5/99

MLB – 364 NEW PIONEER MORTGAGE, INC. (USED IN VA BY PIONEER MORTGAGE, INC. – 4/5/99

MLB – 449 CONSUMER SECURITY MORTGAGE, INC. – 4/8/99

MLB – 206 EXECUTIVE MORTGAGE BANKERS, LTD. – 4/14/99

ML – 179 GREENTREE MORTGAGE COMPANY, L.P. – 4/16/99

MLB – 367 METSTAR MORTGAGE CORP. – SURRENDERED LENDER AUTHORITY ONLY -- 4/19/99 NOW MB - 1395

ML – 326 THE CORNERSTONE FINANCIAL GROUP, INC. – 4/22/99

ML – 257 UNITED COMPANIES FUNDING, INC. – 4/27/99

MB – 884 JAMES DAY THOMAS – 4/27/99

ML – 247 MORCAP, INC. – 4/28/99

MB – 1118 OLD STONE FUNDING GROUP, INC. – 4/30/99

MB – 1087 THE MORTGAGE SPECIALISTS, INC. – 5/3/99

MB – 1188 JOHN G. MORTIMER T/A PROVIDENCE MORTGAGE – 5/3/99

MLB – 375 TRANSAMERICA HOMEFIRST, INC. – 5/3/99

MB – 506 HAROLD J. SCHUTT T/A SOLUTIONS FOR FAMILY FINANCES – 5/3/99

MB – 1147 ASSET MORTGAGE CORPORATION – 5/5/99

ML – 223 DITECH FUNDING CORPORATION – 5/6/99

MLB – 409 SKYLINE MORTGAGE GROUP LC D/B/A AMERICASBESTLOAN.COM – SURRENDERED LENDER AUTHORITY ONLY -- 5/7/99 – NOW MB - 1406

ML – 338 MIDCOAST CREDIT CORP. – 5/10/99

MLB – 475 WASHINGTON MORTGAGE SERVICES, INC. – 5/10/99

ML – 379 HOMEFREE MORTGAGE COMPANY, LLC – 5/10/99

ML – 167 HOME MORTGAGEE CORPORATION – 5/17/99

MB – 723 CJS MORTGAGE SERVICES, INC. – 5/18/99

MLB – 480 NOVA MORTGAGE CORPORATION – 5/24/99

ML – 380 BOTTOMLINE MORTGAGE INC. – 5/25/99

MB – 1033 COLONIAL MORTGAGE CORPORATION – 5/26/99

MB – 1111 RONALD L. DAMPIER – 6/1/99

MLB – 547 LINCOLN MORTGAGE CORPORATION D/B/A BRADFORD MORTGAGE SERVICES – 6/7/99

ML – 199 MORTGAGE LENDERS ASSOCIATION, INC. – 6/18/99 (continued on next page...)



SURRENDERED (CONTINUED)

MB – 1213 PATRIOT FUNDING CORPORATION (USED IN VA
BY PATRIOT MORTGAGE CORPORATION) – 6/21/99

ML – 311 BROADWAY MORTGAGE COMPANY – 6/23/99

ML – 357 AMERI-NATIONAL MORTGAGE COMPANY, INC.
– 6/28/99

MORTGAGE APPLICATIONS DENIED SINCE MARCH 31, 1999

NONE

MORTGAGE LICENSE REVOCATIONS SINCE MARCH 31, 1999

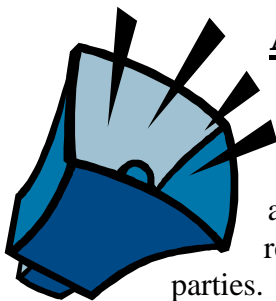
MLB – 393 MCA MORTGAGE CORPORATION – REVOKED 5/10/99 FOR FAILURE TO FILE ANNUAL REPORT

ML – 309 JVS FINANCIAL GROUP, INC. – REVOKED 5/10/99 FOR FAILURE TO FILE ANNUAL REPORT

PENALTIES PAID BY MORTGAGE LICENSEES SINCE MARCH 31, 1999

ML – 105 MORTGAGE ACCESS CORP. – 5/4/99 – PAID \$500 FOR FAILURE TO OBTAIN APPROVAL PRIOR TO OPENING AN ADDITIONAL OFFICE

MLB – 532 FIRSTPLUS FINANCIAL, INC. – 5/19/99 – PAID \$500 FOR FAILURE TO OBTAIN APPROVAL PRIOR TO OFFICE RELOCATION

**Attention New Mortgage Licensees:**

August 20, 1999 is the date of the next orientation for new mortgage licensees. Companies who were licensed between April 1 and June 30th 1999 should have received information about the session. Orientation begins at 9:30 a.m. and concludes around 4:00 p.m. Licensees who were unable to attend previous sessions should also register. Space is limited, but we will make every attempt to accommodate interested parties.

The Compliance Connection is published quarterly and is part of the Bureau's efforts to improve communication with the companies we regulate. It is distributed to Virginia mortgage, consumer finance, industrial loan and non-profit debt counseling agency licensees and other interested parties. We encourage you to read each newsletter and distribute the information to all staff members. Comments and suggestions are appreciated!



IMPORTANT COMMISSION TELEPHONE NUMBERS

Consumer Finance and Mortgage Examinations(804) 371-9701
Licensing (applications, name changes, relocations).....(804) 371-9690
Consumer Complaints.....(804) 371-9705
Banks and Savings Institutions.....(804) 371-9704
Corporate Information – Clerk's Office.....(804) 371-9733
FAX Number for the Bureau of Financial Institutions.....(804) 371-9416

**Bureau of Financial Institutions
State Corporation Commission
P.O. Box 640
Richmond, Virginia 23218-0640**

**IMPORTANT REGULATORY
INFORMATION ENCLOSED!!!**